

# EXHIBIT B

## **OVERVIEW**

We value the opportunity to participate in the Senate Finance Committee inquiry regarding the provision of healthcare by tax exempt organizations. To more fully understand our responses, we believe it would be beneficial for the committee to understand Phoebe Putney – who we are and who we serve.

### **Who We Are**

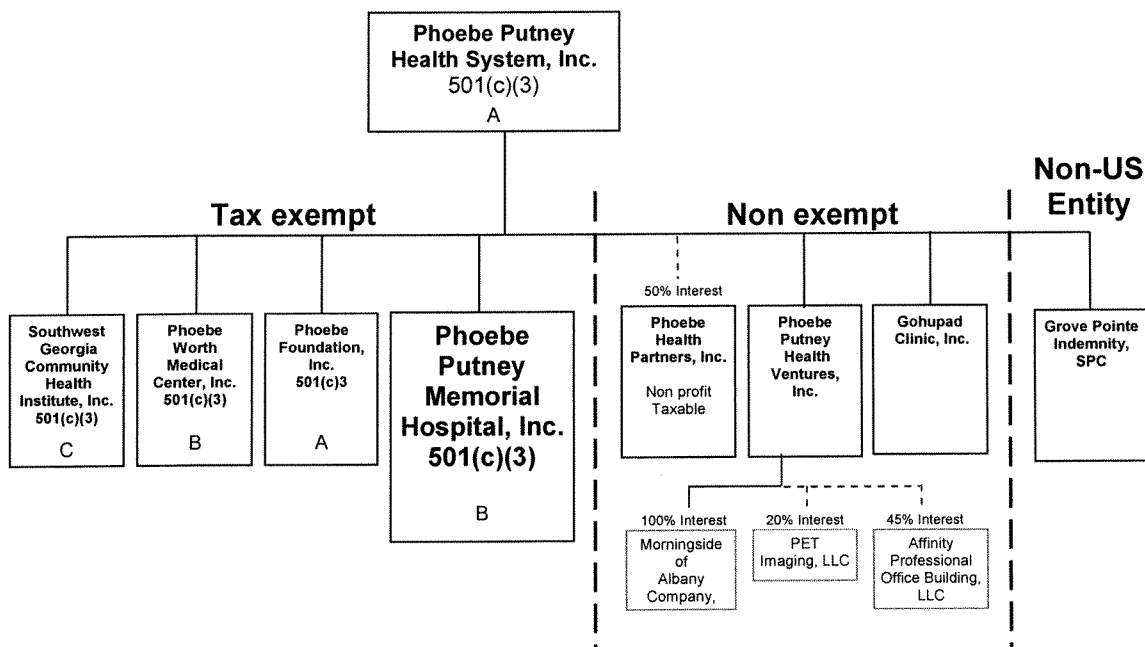
The Phoebe Putney Health System, Inc. and its affiliated organizations exist to further the mission of Judge Francis Flagg Putney: to serve all persons in the community regardless of race or ability to pay. Four pillars of excellence guide Phoebe's philosophy of care – tradition, values, vision and service. Understanding our corporate organization and structure, as well as service capabilities is critical to understanding our charitable purpose.

### **Corporate Structure**

#### **Phoebe Putney Health System, Inc.**

Phoebe Putney Health System, Inc., ("System") is a Georgia non profit corporation recognized as exempt from taxation under Internal Revenue Code ("IRC") Sections 501(c)(3) and 509(a)(3). System functions as the non profit corporate parent of Southwest Georgia Community Health Institute, Inc., Phoebe Worth Medical Center, Inc., Phoebe Foundation, Inc., Phoebe Putney Memorial Hospital, Inc., Grove Point Indemnity, SPC, Phoebe Putney Health Ventures, Inc. and Gohupad Clinic, Inc. System is also a member of Phoebe Health Partners, Inc., a physician hospital organization. As used throughout these answers the term "Phoebe Putney" or "Phoebe" refers collectively to System and its affiliated organizations.

Acting to support the activities of Phoebe Putney Memorial Hospital, Inc., System provides overall guidance, direction, and resource allocation to its affiliate organizations to ensure the furtherance of Phoebe Putney's mission. Phoebe Putney Health System also operates four regional clinics, three urgent care facilities, a 49-bed critical access hospital, Phoebe Worth Medical Center, and manages a second critical access hospital. Other services include specialty physician practices, home health services, a community hospice and palliative medicine program, an assisted living facility, a PHO and Corporate Health Services, and a community health institute, which is charged with promoting and measuring community health status and benefits programs for the entire service area.



- A. Non-private foundation (“public charity”) status as a “Type III” supporting organization to Phoebe Putney Memorial Hospital, Inc. described in IRC Section 509(a)(3).
- B. Non-private foundation (“public charity”) status as a “hospital” described in IRC Sections 509(a)(1) and 170(b)(1)(A)(iii).
- C. Non-private foundation (“public charity”) status as a “publicly supported organization” described in IRC Sections 509(a)(1) and 170(b)(1)(A)(vi).

#### **Phoebe Putney Memorial Hospital, Inc.**

Phoebe Putney Memorial Hospital, Inc., a Georgia non profit organization, is recognized as exempt from taxation under IRC Section 501(c)(3), 509(a)(1) and 170(b)(1)(A)(vi). Phoebe Putney Health System, Inc. is the sole member of Phoebe Putney Memorial Hospital. Phoebe Putney Memorial Hospital, Inc. leases and operates the assets of the Hospital Authority of Albany-Dougherty County Georgia and has leased all property, real and personal, from the Hospital Authority under a lease originally executed in December 1991. Since the date of the lease the Authority has taken no active role in the provision of health services but has continued to monitor the Phoebe Putney Memorial Hospital, Inc.’s provision of health services. Phoebe Putney Memorial Hospital, Inc. controls all hospital operations, but the Hospital Authority acts as the conduit for bond financing and if necessary, the condemnation of properties. Per the terms of the lease arrangement with the Authority, Phoebe Putney Memorial Hospital, Inc. is required to continue the charitable mission of the Hospital Authority, and to provide a minimum of 3% of gross revenues as indigent care, after provisions for bad debt and Medicaid and Medicare adjustments have been deducted. Additionally, Phoebe Putney Memorial Hospital, Inc. is required to operate the Hospital as a charitable facility open to the general public, free of discrimination based upon race, color, religion, creed, national origin or sex.

**Phoebe Foundation, Inc.**

Phoebe Foundation, Inc, a Georgia non profit organization, is recognized as exempt from taxation under IRC Section 501(c)(3) and 509(a)(3). Phoebe Putney Health System, Inc is the sole member of Phoebe Foundation, Inc. The Phoebe Foundation, Inc. was created in 1989 and is the mechanism for collection of endowment funds and serves as the custodian of those funds. The Articles of Incorporation provide that the corporation is to promote and support the interests and purposes of the Hospital Authority of Albany-Dougherty County, Georgia and Phoebe Putney Memorial Hospital, Inc. According to the Articles of Incorporation, there is to be no pecuniary gain or profit for the benefit of or distributable to any person except for the Authority and the Hospital.

**Phoebe Worth Medical Center, Inc.**

Phoebe Worth Medical Center, Inc., a Georgia non profit organization, is recognized as exempt from taxation under IRC Sections 501(c)(3), 509(a)(1) and 170(b)(1)(A)(iii). Phoebe Putney Health System, Inc is the sole member of Phoebe Worth Medical Center, Inc. Phoebe Worth Medical Center is a non profit corporation incorporated January 2002 for which Phoebe Putney Health System, Inc. is the sole member. Phoebe Worth provides health services by operating a rural critical access community hospital in Sylvester, Georgia.

**Southwest Georgia Community Health Institute, Inc.**

Southwest Georgia Community Health Institute, Inc., a Georgia non profit organization, is recognized as exempt from taxation under IRC Sections 501(c)(3), 509(a)(1) and 170(b)(1)(A)(vi). Created in 1989 the corporation does not provide any direct health care services, but it does facilitate coordinated and collaborative health planning and service delivery through an integrated process involving health providers, educators, local officials, payors and consumers. The Institute has a strong emphasis on health promotion and education across a wide spectrum of the population.

**Phoebe Health Partners, Inc.**

Phoebe Health Partners, Inc. is a Georgia non profit taxable corporation. It is the physician hospital organization. This corporation is owned 50% by Phoebe Putney Health System, Inc. and 50% by the participating physicians. The purpose of the corporation is to negotiate and administer managed care and other reimbursement contracting.

**Grove Pointe Indemnity, SPC**

Grove Pointe Indemnity, SPC is a segregated portfolio company domiciled in Grand Cayman. The corporation is engaged in the business of self-insurance and risk management. Grove Pointe Indemnity, SPC is a wholly owned subsidiary of Phoebe Putney Health System, Inc.

### **Phoebe Health Ventures, Inc.**

Phoebe Health Ventures, Inc. is a Georgia for profit corporation. Phoebe Health Systems, Inc. owns all of outstanding shares in Phoebe Health Ventures Inc. Phoebe Health Ventures has the following interests:

Morningside of Albany Company, LLC – Phoebe Health Ventures, Inc. owns 100% of Morningside of Albany Company, LLC. Morningside of Albany Company, LLC owns and operates an assisted living facility.

PET Imaging, LLC – Phoebe Health Ventures, Inc., owns 20% of PET Imaging, LLC. PET Imaging, LLC operates a mobile PET imaging service.

Affinity Professional Office Building, LLC – Phoebe Health Ventures, Inc. owns 45% of Affinity Professional Office Building, LLC. Affinity Professional Office Building, LLC owns a physician office building located in Tift County, Georgia. The majority interest is owned by Physician Partners, LLC.

### **Gohupad Clinic, Inc.**

Gohupad Clinic, Inc. is a Georgia for profit corporation which owns a medical office building located in South Albany. Phoebe Putney Health Systems, Inc., owns all of the outstanding shares in Gohupad Clinic, Inc. The property is leased to physicians.

### **Service Capabilities**

The corporate structure is the legal and regulatory framework in which we execute our strategic mission. The services we provide are another dimension, the dimension most recognized by the community.

The heart of Phoebe Putney Health System is Phoebe Putney Memorial Hospital and Phoebe Worth Medical Center. All the other entities, both taxable and tax exempt, exist to support these service organizations.

Phoebe Putney Memorial Hospital began serving the citizens of Southwest Georgia in 1911, when community volunteers rallied to meet the health care challenges occurring at the turn of the century. The hospital, then the Hospital Aid Association, was low on funds and approached Judge Francis Flagg Putney. Judge Putney was willing to give them the \$25,000 they needed to build a new hospital, but only if they agreed to his stipulations. They were that the hospital be named after his mother Phoebe, and that it would serve all persons in the community-regardless of race or the ability to pay.

Today, Phoebe is an acute care hospital, licensed for 450 beds, including 32 neonatal intensive care beds. The hospital is the dominant provider of care for 140,000 residents in the primary service area and 620,000 in its tertiary area, consistently capturing a market share of more than

70 percent. More than 50 percent of patients come from outside Dougherty County, the hospital's home county, and discharges from Phoebe's seven-county primary service area represent over 80 percent of the hospital's total discharges.

Phoebe is the region's largest employer, with more than 3,400 full and part time employees. The medical staff includes 280 physicians. Services include cardiac care, physical and sports medicine, women and children's services, a cancer center, a regional perinatal center, comprehensive surgical services, diagnostics and therapeutic services. Phoebe's Cancer Center, one of the busiest in the Southeast, treats more than 1,800 new cases each year, offering patient participation in clinical trials and other breakthrough therapies. Phoebe's bone marrow transplant program, one of two in Georgia, is an affiliate of Duke University Medical Center, and is the only Georgia program that accepts Medicaid. These therapies and trials, generally available only in academic medical centers and not covered by most insurance plans, are offered at Phoebe. Additionally, Phoebe's founding mission guarantees care to all, regardless of ability to pay. That mission remains unchanged today. As reflected in question 12A, in fiscal year 2004, Phoebe Putney incurred \$51 million of forgone charges for charity care expenditures at an estimated cost of \$22 million.

Because recruiting and retaining physicians to a medically underserved area of the state is an important mission, Phoebe also has a family practice residency program, created by the General Assembly in 1992, which has graduated 53 family medicine residents. Since the program's inception, **more than 70 percent of those graduates have located within a 60 mile radius of Albany**, now practicing family medicine in rural communities where the need is greatest.

### **Who We Serve**

We feel that the issues addressed in the Senate Finance Committee inquiry cannot be adequately evaluated without an understanding of who we serve.

Phoebe is located in Dougherty County, Georgia, the center of the second congressional district, one of the nation's poorest. The region bears a disproportionate share of the state's Medicaid burden. An average of 33 percent of the population receives Medicaid, compared to 19 percent of the state population overall. Mobility is an issue for many Southwest Georgians and access to essential services, including health care is at a premium. A shortage of available health care professionals in the region (i.e. 2/3 of the amount required by the Graduate Medical Education National Advisory Committee (GMENAC)) creates a particular burden. Nearly 1 of every 3 who live here are under age 18. According to the 2000 Census, almost 13 percent of the population is over 65.



The following are several key demographics of the area.

- **Nearly 1 of every 2 children lives in poverty**
- **23% of families live in poverty**
- **Median income at \$29,310 is \$13,000 below the state median**
- **15% of the population under the age of 64 do not have insurance**
- **67% of public school students receive free or reduced lunch**
- **The percent of live births to teens and low birth weight babies is 50% higher than the state percentages**
- **Nearly 1 in 4 citizens have less than a 9<sup>th</sup> grade education**
- **50% of students don't complete high school in four years, 37% do not at all**
- **The rate of families on welfare is nearly twice the state's rate**

Phoebe has built a system of access to address the needs of a diverse population and to assure that care is delivered at many levels, regardless of ability to pay. Phoebe's leadership has actively mined for the services and programs that can make a community healthier and actively seeks the people who need access to healthcare. That philosophy drives "upstream investment," prevention that seeks to understand the needs and treat people who may be marginalized with early care outside the hospital before they need to be seen in the emergency.

In recent years, Phoebe has shaped almost two dozen strategic relationships among existing community agencies that effectively share resources and eliminate fragmented and duplicative services in Phoebe's service area and beyond. These programs and initiatives give people access to care and demonstrate a level of caring that is deeply committed to the health and well being of our residents. Far more than innovative medical services, the programs grow out of ethical health care planning that considers the economic imperatives of a region, the effect of legislation and the involvement of community-based organizations. In this way, Phoebe is a catalyst for connecting organizations and resources to bring about change not only in the health status of a population, but also in a community's total health. For Phoebe, accountability and responsibility are fundamental strategies that drive the organization's decision-making process.